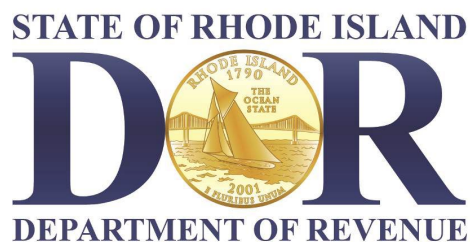


*STATE OF RHODE ISLAND*  
GOVERNOR DANIEL J. MCKEE



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report  
FY 2023 Monthly and Year-to-Date as of February 2023

The monthly revenue assessment report compares adjusted revenues, on a monthly and fiscal year-to-date basis, to the Office of Revenue Analysis' (ORA) monthly and fiscal year-to-date (YTD) estimates of expected revenues based on the current fiscal year revenue estimates. It should be noted that the fiscal year revenue estimates will vary over the course of the fiscal year as the Revenue Estimating Conference (REC) convenes and modifies the fiscal year revenue estimates as enacted by the General Assembly.

This monthly revenue assessment report compares adjusted revenues to expected revenues based on the revenue estimates adopted at the November 2022 Revenue Estimating Conference.

**Results for FY 2023 Revenues through February**

ORA finds that FY 2023 adjusted total general revenues through February trailed the revised FY 2023 expected total general revenues estimates through February by \$58.9 million, a variance of -1.9%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenue in FY 2023 YTD was \$85.8 million less than expected, a variance of -7.0%. All components of income tax trailed the estimates.
- Business corporation tax revenue exceeded estimates by \$6.6 million, or 5.8%, through February.
- Departmental receipts were up \$9.6 million compared to the estimate, a variance of 5.7%.
- Lottery transfer revenue surpassed the estimates by \$7.5 million. Video-lottery terminals, combined gaming (e.g., traditional lottery tickets and Keno), and remote sports betting were all above the year-to-date estimates by \$1 million each.

## Results for Month of February

ORA finds that February adjusted total general revenues led the revised FY 2023 expected total general revenues estimates for the month by \$3.8 million, a variance of 1.5%.

Some notable variances to expected revenues are as follows:

- Personal income tax revenues in February 2023 were \$6.2 million more than expected, a variance of 11.1%.
  - Refunds and adjustments were 9.7% less than the monthly estimate. Most refund activity occurs in February, March, and April.
  - Final payments were up \$1.8 million. Final payments are concentrated in March and April.
  - Withholding payments had a negative variance at 2.8%, down \$3.6 million compared to the estimate. Despite this miss, withholding payments still grew on a cash basis when compared to February 2022 by 5.2%.
- Sales and use tax collections were down compared to the estimate by \$3.5 million, a variance of -3.0%. On cash basis, February 2023 declined 0.4% compared to February 2022, the first year-over-year decline this fiscal year. February collections represent January sales activity. February is the second smallest month for sales and use tax collections.
- Departmental receipts had significant positive differences of \$3.8 million.

## How to Read this Report

Following this summary are two tables: one showing the variance for year-to-date by revenue stream and one showing the variance for the month. The next page displays a chart showing the monthly and year-to-date variance as it has evolved over the course of the fiscal year, helping to visualize if revenue has converged or diverged with expectations over time. An appendix to this report contains two sections. One section discusses the expected share of revenue for this month and the next contains the total revenue estimates for this fiscal year.

Jane E. Cole, Acting Director  
Department of Revenue  
March 17, 2023

**FY 2023 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Year-to-Date Estimate to Actual**

	YTD February Adjusted Revenues FY 2023		YTD February Estimate of Revised FY 2023 Revenues †	Difference	Variance
<b>Personal Income Tax</b>	\$ 1,142,224,804	a, b, c, d	\$ 1,228,038,799	\$ (85,813,995)	-7.0%
<b>General Business Taxes</b>					
Business Corporation †	119,744,448	a, b, c	113,164,663	6,579,785	5.8%
Public Utilities Gross Earnings	47,001,653		48,024,291	(1,022,638)	-2.1%
Financial Institutions	10,856,148		7,362,031	3,494,117	47.5%
Insurance Company Gross Premiums	78,913,199	c	75,749,558	3,163,642	4.2%
Bank Deposits	2,484,198		2,246,750	237,448	10.6%
Health Care Provider Assessment	26,245,171		26,184,678	60,494	0.2%
<b>Excise Taxes</b>					
Sales and Use	1,066,212,494	a	1,067,071,909	(859,415)	-0.1%
Motor Vehicle License and Reg Fees	785,825		762,250	23,575	3.1%
Cigarettes	89,452,357	a	90,009,627	(557,271)	-0.6%
Alcohol	14,897,836		15,714,387	(816,551)	-5.2%
Controlled Substances	3,000		3,000	-	0.0%
<b>Other Taxes</b>					
Estate and Transfer	43,992,311	f	41,263,246	2,729,065	6.6%
Racing and Athletics	380,757		342,400	38,357	11.2%
Realty Transfer	12,437,824	g	15,590,142	(3,152,319)	-20.2%
<b>Total Taxes</b>	\$ 2,655,632,024		\$ 2,731,527,730	\$ (75,895,706)	-2.8%
<b>Departmental Receipts †</b>	\$ 179,041,707	h	\$ 169,451,730	\$ 9,589,976	5.7%
<b>Taxes and Departmentals</b>	\$ 2,834,673,731		\$ 2,900,979,461	\$ (66,305,730)	-2.3%
<b>Other General Revenue Sources</b>					
Other Miscellaneous Revenues	2,938,352		2,938,352	-	0.0%
Lottery Transfer	254,594,747	i	247,139,693	7,455,054	3.0%
Unclaimed Property	-		-	-	n/a
<b>Total Other Sources</b>	\$ 257,533,099		\$ 250,078,045	\$ 7,455,054	3.0%
<b>Total General Revenues</b>	\$ 3,092,206,830		\$ 3,151,057,506	\$ (58,850,676)	-1.9%

PIT Component	YTD February Adj. Revenues		YTD February Revised Estimates	Difference	Variance
Estimated payments	\$ 184,718,166		\$ 198,879,772	\$ (14,161,606)	-7.1%
Final payments †	182,154,415	b, c	211,450,553	(29,296,138)	-13.9%
Withholding	999,021,693		1,022,774,423	(23,752,730)	-2.3%
Refunds and Adjustments	(223,669,470)	a, d	(205,065,949)	(18,603,521)	9.1%
<b>Total</b>	\$ 1,142,224,804		\$ 1,228,038,799	\$ (85,813,995)	-7.0%

† FY 2023 expected revenues are based on the estimates adopted at the November 2022 Revenue Estimating Conference. The estimate for personal income tax final payments and refunds and adjustments, insurance company gross premiums tax, health care provider assessment, sales and use tax, and departmental receipts were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

+ Set equal to actual amounts received.

Detailed notes on the following page

**FY 2023 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Year-to-Date Estimate to Actual**

- <sup>a</sup> Included in the revenue items below are the amounts for net transfers between that account and all other accounts. No adjustments were made for these transfers.
  - personal income tax refunds and adjustments - \$5,506,286
  - business corporation tax - \$(5,506,286)
  - sales and use tax - \$139,200
  - cigarette and other tobacco products tax - \$(139,200)
- <sup>b</sup> Adds to personal income tax final payments \$100,081,790 in net revenues from pass-through entities made on behalf of shareholders received in FY 2023 YTD and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- <sup>c</sup> Rebuild RI reimbursements of \$1,017,628 in personal income tax and \$6,783,208 in insurance company gross premiums tax are included in adjusted revenues.
- <sup>d</sup> Includes \$(43,184,500) in child tax rebates posted in FY 2023 YTD.
- <sup>e</sup> Includes large pass-through entity payment refund(s) of \$5.0 million
- <sup>f</sup> Includes large, unusual payment(s) of \$13.4 million received year-to-date.
- <sup>g</sup> Subtracts \$543,381 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the February transfers that will occur in March.
- <sup>h</sup> Subtracts \$171,036,562 of FY 2022 hospital licensing fee payment(s) received in FY 2023 YTD and accrued back to FY 2022.
- <sup>i</sup> Subtracts \$3,307,843 of revenues that were transferred in October 2022 but accrued back to FY 2022.

**FY 2023 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Monthly Estimate to Actual**

	February 2023 Adjusted Revenues FY 2023		February 2023 Estimate of FY 2023 Revised Revenues †	Difference	Variance
<b>Personal Income Tax</b>	\$ 62,014,698	b	\$ 55,841,655	\$ 6,173,043	11.1%
<b>General Business Taxes</b>					
Business Corporation †	4,925,090	b	4,951,127	(26,037)	-0.5%
Public Utilities Gross Earnings	58,994		135,796	(76,802)	-56.6%
Financial Institutions	943,035		2,586,906	(1,643,871)	-63.5%
Insurance Company Gross Premiums	545,381		713,242	(167,860)	-23.5%
Bank Deposits	27,307		(7,713)	35,020	-454.0%
Health Care Provider Assessment	3,191,800		3,303,314	(111,514)	-3.4%
<b>Excise Taxes</b>					
Sales and Use	111,474,437	a	114,954,085	(3,479,649)	-3.0%
Motor Vehicle License and Reg Fees	73,375		82,847	(9,472)	-11.4%
Cigarettes	7,511,645		8,998,962	(1,487,317)	-16.5%
Alcohol	1,280,992		1,352,899	(71,907)	-5.3%
Controlled Substances	-		-	-	n/a
<b>Other Taxes</b>					
Estate and Transfer	2,933,702		2,826,284	107,419	3.8%
Racing and Athletics	59,498		36,184	23,313	64.4%
Realty Transfer	1,176,518	c	1,427,042	(250,523)	-17.6%
<b>Total Taxes</b>	\$ 196,216,471		\$ 197,202,629	\$ (986,159)	-0.5%
<b>Departmental Receipts †</b>	\$ 23,834,310		\$ 20,050,906	\$ 3,783,404	18.9%
<b>Taxes and Departmentals</b>	\$ 220,050,780		\$ 217,253,535	\$ 2,797,245	1.3%
<b>Other General Revenue Sources</b>					
Other Miscellaneous Revenues	440,547		440,547	-	0.0%
Lottery Transfer	37,188,039		36,150,181	1,037,858	2.9%
Unclaimed Property	-		-	-	n/a
<b>Total Other Sources</b>	\$ 37,628,586		\$ 36,590,727	\$ 1,037,858	2.8%
<b>Total General Revenues</b>	\$ 257,679,366		\$ 253,844,262	\$ 3,835,104	1.5%

PIT Component	February 2023 Adj. Revenues		February 2023 Revised Estimates	Difference	Variance
Estimated payments	\$ 4,801,545		\$ 5,225,171	\$ (423,626)	-8.1%
Final payments †	10,778,038	b	8,935,244	1,842,794	20.6%
Withholding	124,151,179		127,734,455	(3,583,276)	-2.8%
Refunds and Adjustments	(77,716,065)		(86,053,216)	8,337,151	-9.7%
<b>Total</b>	\$ 62,014,698		\$ 55,841,655	\$ 6,173,043	11.1%

† FY 2023 expected revenues are based on the estimates adopted at the November 2022 Revenue Estimating Conference. The estimate for personal income tax final payments and refunds and adjustments, insurance company gross premiums tax, health care provider assessment, sales and use tax, and departmental receipts were calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

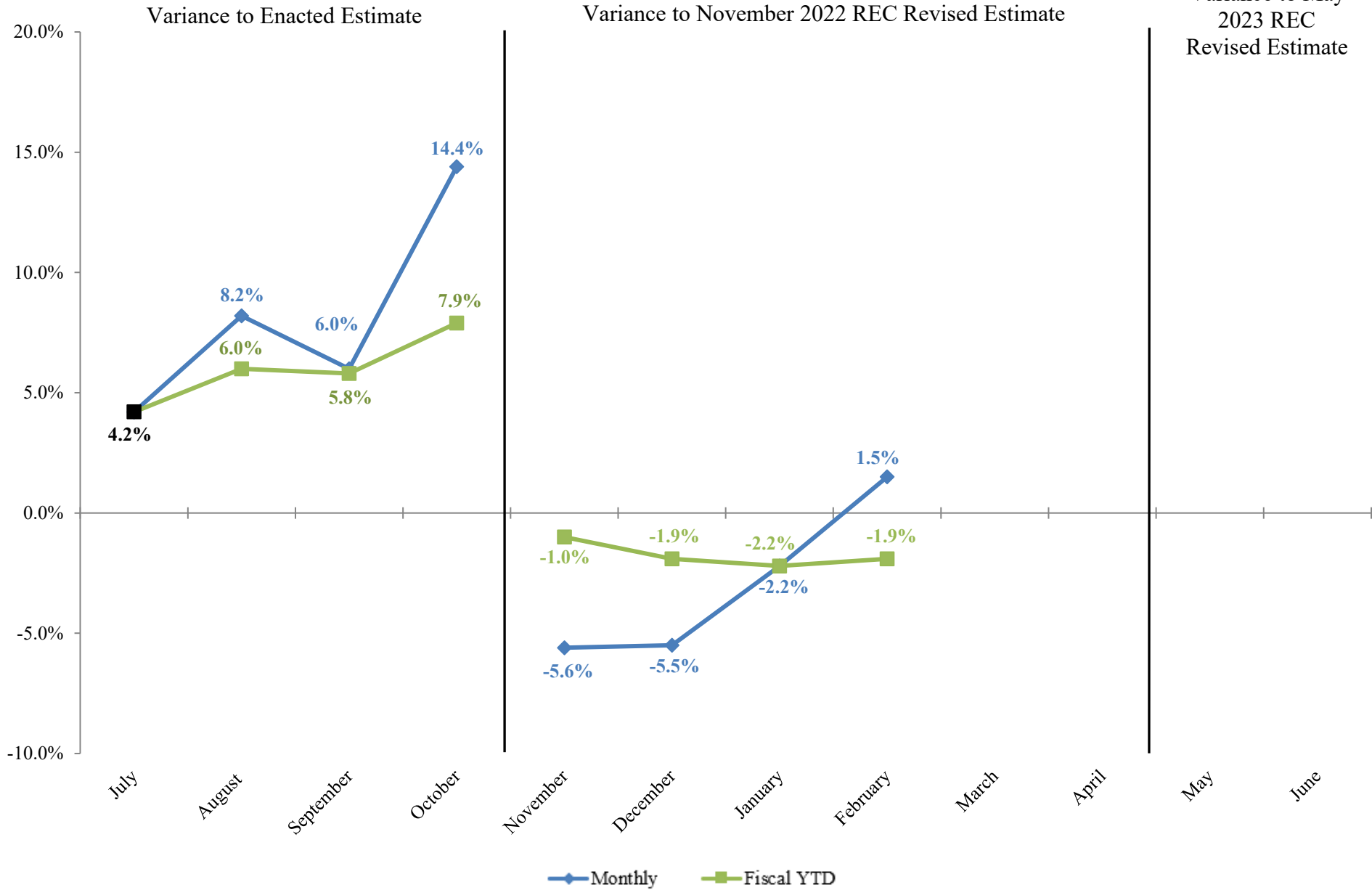
+ Set equal to actual amounts received.

Detailed notes on the following page

**FY 2023 STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT**  
**Monthly Estimate to Actual**

- <sup>a</sup> Included in the revenue items below are the amounts for net transfers between that account and all other accounts. No adjustments were made for these transfers.  
- sales and use tax - \$(113,169)
- <sup>b</sup> Adds to personal income tax final payments \$1,680,638 in net revenues from pass-through entities made on behalf of shareholders received in February 2023 and recorded as business corporation tax payments. The offsetting amount was subtracted from business corporation tax.
- <sup>c</sup> Adds \$295,529 that is designated for transfers to the Housing Resources Commission and Housing Production Fund. The amount reflects the difference between the January transfers that occurred in February and the February transfers that will occur in March.

# FY 2023 Variance of Adjusted Revenues to Estimate



## Appendix

### *How to Interpret this Report*

The purpose of the Revenue Assessment Report is to give readers a sense of how the state’s general revenues compare to those that might be expected if the official revenue estimates were being met in a predictable way. Caution should be exercised when interpreting this report as actual revenues may vary significantly from historical patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual basis, not a cash basis. Revenue accruals are not determined until at least one month after the fiscal year-end in June. Thus, even if the assessment of actual fiscal year-to-date revenues trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year-end accrual to make up any shortfall.

The complete methodology for determining the monthly revenue flows and law changes that impact general revenues can be found on DOR’s website at <https://dor.ri.gov/revenue-analysis/fiscal-year-2023>.

### *Expected Monthly Breakdown of Revenue*

Table A provides the average percentages used to determine expected monthly and fiscal year-to-date revenues for February. Details on how these monthly and fiscal year-to-date average percentages were calculated are included in the methodology document as noted above.

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	Feb.	YTD		Feb.	YTD
Personal Income Taxes			Sales and Use Taxes	7.3%	67.6%
Estimated Payments	1.8%	63.8%	Motor Vehicles Fees	9.2%	73.5%
Final Payments	1.8%	36.3%	Cigarettes Taxes	6.7%	67.3%
Withholding Payments	8.4%	65.5%	Alcohol Excise Taxes	5.8%	67.4%
Refunds/Adjustments	18.7%	45.5%	Estate and Transfer	6.6%	69.8%
Business Corporation Taxes	1.9%	45.8%	Racing and Athletics	7.8%	66.2%
Utilities Gross Earnings Taxes	0.1%	49.0%	Realty Transfer	6.6%	70.7%
Financial Institutions Taxes	4.5%	45.5%	Departmental Receipts	6.8%	60.6%
Insurance Co. Gross Premiums	0.5%	42.5%	Lottery Transfer	8.7%	59.1%
Bank Deposits	-0.2%	46.7%	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.2%	67.0%	Unclaimed Property	0.0%	0.0%

The “Percent Received” for monthly and year-to-date departmental receipts is calculated excluding hospital licensing fee revenues, which are large and generally made only once in the fiscal year.



The lottery transfer does not begin in a given fiscal year until August, and fiscal year-to-date percentages reflect gaming activity from July through the prior month, while monthly percentages reflect the prior month's gaming activity. The unclaimed property transfer occurs only in June of each fiscal year.

Other nuances in monthly revenue flows related to recent law changes are described in the methodology and law change document at <https://dor.ri.gov/revenue-analysis/fiscal-year-2023>.

### ***FY 2023 Revised Revenue Estimates***

The revised FY 2023 estimates by revenue item as adopted at the November 2022 REC are as follows:

<b>Table B. FY 2023 Revised Revenue Estimates by Major Revenue Item</b>			
<b>Revenue Item</b>	<b>Revised FY 2023 Estimate</b>	<b>Revenue Item</b>	<b>Revised FY 2023 Estimate</b>
Personal Income Taxes		Sales and Use Taxes	\$1,575,000,000
Estimated Payments	\$306,300,000	Motor Vehicles Fees	1,000,000
Final Payments	520,900,000	Cigarettes Taxes	133,900,000
Withholding Payments	1,548,000,000	Alcohol Excise Taxes	23,300,000
Refunds/Adjustments	(455,000,000)	Estate and Transfer	58,800,000
Business Corporation Taxes	252,000,000	Racing and Athletics	500,000
Public Utilities Gross Earnings	101,000,000	Realty Transfer	21,000,000
Financial Institutions Taxes	38,900,000	Departmental Receipts	464,000,000
Insurance Co. Gross Premiums	166,700,000	Lottery	418,700,000
Bank Deposits	4,500,000	Other Misc. Revenues	37,300,000
Health Care Provider Assessment	39,500,000	Unclaimed Property	14,000,000
		<b>Total General Revenues *</b>	<b>\$5,260,400,000</b>
* Total general revenues estimate includes a personal income tax net accrual of \$(9,900,000).			